

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5328-01  
Bill No.: HB 1401  
Subject: Nursing and Boarding Homes; Health Dept.  
Type: Original  
Date: February 10, 2012

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Bill Summary: Renames the Missouri Certificate of Need Law as the Missouri Long-term Care Certificate of Need law and limits the provisions of the law to only apply to long-term care facilities and services.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
General Revenue	(\$165,000)	(\$198,000)	(\$198,000)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(\$165,000)</b>	<b>(\$198,000)</b>	<b>(\$198,000)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Mental Health (DMH)** state DMH facilities are not subject to Chapter 197, RSMo; therefore, the DMH would not be affected by this proposal.

Officials from the **Department of Social Services (DSS) - MO HealthNet Division (MHD)** state without the Certificate of Need (CON) approval process additional new hospitals would be built and other new health services will be generated. The new hospital and services would increase the cost to the Medicaid program. Any increase that may result due to this legislation is not expected to occur until SFY 17.

The cost impact would be to the hospital program and is unknown. Hospitals are paid on a per diem rate for each day that the recipient is in the hospital. A new facility is paid either the Medicare per diem rate or 90% of the weighted average statewide per diem rate for the first three (3) years of operation. The fourth year of operation they are given a prospective per diem rate based on their fourth prior year cost report. With the addition of new hospitals, existing hospitals would lose patient days as individuals may go to the new hospital instead of the existing hospitals. The cost to the state could either be more or less depending on the rate the new hospital is receiving versus the rate the existing hospital is receiving. The cost increase for capital would not be reflected until the hospital receives their prospective per diem rate using their fourth prior year cost report. Since the state is approaching SFY 13, this would not be expected to happen until SFY 17.

**Oversight** notes any potential costs to DSS and MO HealthNet will occur outside the period of this fiscal note.

Officials from the **Department of Health and Senior Services (DHSS)** state the proposed legislation would result in a loss of application fees. FY 10 and FY 11 application fees (of which approximately 60% was for hospital and equipment projects) deposited into General Revenue totaled \$332,853 and \$429,127 respectively. Fees in FY 12 are projected to be approximately \$300,000. The fee amount projected for FY 13 through FY 15 is \$330,000 annually. Therefore, limiting the scope of the certificate of need (CON) to long-term care facilities only would result in annual fees of \$132,000 (40% of \$330,000), a reduction of \$198,000 annually. Since the repeal of the program will not go into effect until the end of August, the net effect of the repeal of the program is estimated to result in a net loss of fee revenue deposited in General Revenue of \$165,000 in FY 13 and \$198,000 in both FY 14 and FY 15.

ASSUMPTION (continued)

Staffing requirements in CON are expected to remain at 2.0 FTE. The program will still be responsible for the review of long-term care facility projects, long-term care hospitals, and long-term care beds in hospitals, as well as providing support to the Missouri Long-term Care Facilities Review Committee.

If elimination of the CON program results in an increase in the number of regulated providers in the future, the DHSS will request funding for additional inspection staff through the new decision item process.

<u>FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
<b>GENERAL REVENUE FUND</b>			
<u>Loss - Department of Health and Senior Services</u>			
Reduction in CON application fees	<u>(\$165,000)</u>	<u>(\$198,000)</u>	<u>(\$198,000)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>(\$165,000)</u></b>	<b><u>(\$198,000)</u></b>	<b><u>(\$198,000)</u></b>
<u>FISCAL IMPACT - Local Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

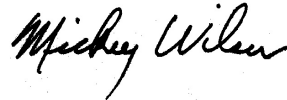
FISCAL DESCRIPTION

This proposal renames the Missouri Certificate of Need Law as the Missouri Long-term Care Certificate of Need Law and the Missouri Health Facilities Review Committee as the Missouri Long-term Care Facilities Review Committee and limits the provisions of the law to only apply to long-term care facilities and services.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Mental Health  
Department of Health and Senior Services  
Department of Social Services -  
MO HealthNet Division

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA  
Director  
February 10, 2012